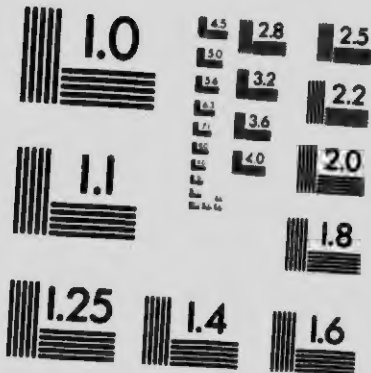


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MARINE
INSURANCE
RATES
ON THE
ST. LAWRENCE

A PLEA
FOR A RE-ADJUSTMENT
OF
MARINE
INSURANCE RATES
ON THE
ST. LAWRENCE




By
MAJOR G. W. STEPHENS
President Harbour Commissioners
of Montreal
1911

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A PLEA FOR A RE-ADJUSTMENT OF MARINE INSURANCE RATES ON THE ST. LAWRENCE

HE high marine insurance rates for many years prevailing in the St. Lawrence have attracted the attention of the Marine Department at Ottawa, and have been the subject of many conferences and discussions among shipowners and merchants. Repeated representations have been made to the large insurance companies and marine underwriters in an effort to bring about a re-adjustment of rates on cargoes and hulls in the St. Lawrence trade with a view to strengthening the prestige of Canada's great waterway as a common carrier for water-borne goods to and from America.

The answer to these representations has always been that the rates would automatically adjust themselves as soon as the loss experience warranted. This automatic adjustment is taking a long time to assert itself, and if

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the patient premium payer is content to wait, the day of adjustment will no doubt long be delayed.

Boards of Trade in Canada have from time to time urged the Canadian Government to bring about an investigation into marine insurance rates.

The Minister of Marine and Fisheries has several times interviewed members of Lloyds', Underwriters and the Marine Insurance Companies, but without any satisfactory results up to the present.

It has been known in a general way that great improvements have been wrought in the last ten years to the St. Lawrence route, that equally great improvement has taken place in the type and class of ship trading to St. Lawrence ports. It is, however, doubtful whether either the magnitude of the improvements to the St. Lawrence waterway, or the increase in the size of ships, is yet realized or fully understood by any but those intimately connected with the interests of transportation.

Now that the St. Lawrence route is to be provided with a first-class dry dock capable of repairing and handling any ship up to 25,000 tons, the last substantial argument against lower rates of insurance has been met in a practical and business-like manner.

The basis of marine insurance rates at present in force was fixed in the year 1900, to meet conditions then

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prevailing. These conditions have been so radically changed that a demand for a re-adjustment of rates is justifiable, not alone from the actual insurance experience but from the new order of things which has been created.

It is quite true that during the last ten years, certain reductions in marine insurance rates have occurred, warranted by a steady decrease in losses and accidents, but the rates still remain at a point highly prejudicial to the expansion of trade and the increase of new business through Canadian ports.

Once, therefore, the present physical condition of Canada's national trade route is understood, once the prejudicial influence of high marine insurance and the injustice of the regulations now in force are realized, there must surely follow a re-adjustment of insurance conditions affecting St. Lawrence business which will mean lower marine rates on hulls and cargoes.

The object of the present statement is, therefore, to indicate Canada's practical answer to the demands and recommendations made ten years ago by underwriters and shipping agents; to confirm the fact that, not only have the whole of the original recommendations been carried out, but that these have been far exceeded by Canada, in her desire to bring the equipment of her national waterway up to the highest possible standard.

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It is the purpose of this paper to urge further that in view of what has been accomplished, a reasonable reduction of marine insurance rates is not only possible, but justified by the physical condition of the route and the actual loss experience on the business.

That the obnoxious B. N. A. clause in marine policies be removed, which excludes all steamers except regular liners from trading with Canada, without paying an extra premium for so doing.

This B. N. A. clause acts as a restriction so powerful that no outside tonnage can be chartered for single voyages as the extra insurance premium demanded is prohibitive.

Previous to 1900 outside tonnage was allowed unrestricted navigation in Canadian waters between 1st April and 31st October without extra charge.

Since 1900 outside tonnage has been barred from doing business with St. Lawrence ports.

Canada has spent the money, carried out the improvements, lessened the risk, and still the rates are levied on the old order of things.

There remain no reasons why this restrictive regulation should longer remain in force.

For the purpose, therefore, of showing what has been done toward the improvement of navigation in the St.

ON THE ST. LAWRENCE RIVER

Lawrence River from the year 1900 to 1910, inclusive,
the following concise statement is submitted.

THERE HAVE BEEN INSTALLED SINCE 1900:

AIDS TO NAVIGATION ON LAND

90 New Lighthouses with Modern High-power Lights,
9 New Fog Alarm Stations, equipped with Syrens,
28 Pole Lights.

AIDS TO NAVIGATION IN THE CHANNEL
ITSELF

(A) Between MONTREAL and QUEBEC—

99 Lighted Buoys (mostly Acetylene),
195 Unlighted Can Buoys.

(B) Below QUEBEC—

3 New Lightships,
80 Acetylene Gas Buoys,
1 Whistling Buoy,
75 Unlighted Can Buoys,
4 Submarine Bell Ships.

M A R I N E I N S U R A N C E R A T E S

These Lighthouses, Lightships, Submarine
Bell Stations, Whistling Buoys and Gas
Buoys, and other aids to navigation,
their installation, maintenance, have cost
to date.....\$ 7,277,000.00

The Dredging of the Channel from 27½ to
30 feet at low water, its widening and
straightening, have been carried out at
a cost of..... 14,000,000.00

Harbour and Terminal Improvement.... 15,680,000.00

Telegraph Lines and Stations, including
a Complete Wireless System from
MONTREAL to CAPE RACE and
STRAITS of BELLE ISLE 431,000.00

Hydrographic Surveys of special portions
of the river not heretofore completely
charted 222,000.00

Pilotage System completely re-organized
and placed under the control of respons-
ible officers, who immediately inves-
tigate Charges against Pilots, Accidents
to Steamers, and report Changes of
Buoys and Lights..... 140,000.00

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Marine Hospitals for attendance upon, and care of members of the staff invalided or sick.....	\$93,000.00
Tidal Surveys.....	87,000.00
Lightships.....	78,000.00
The establishment of 15 Land Telephone Stations between Quebec and Montreal, so that each ship's officers may be reg- ularly advised of weather conditions throughout the River and Gulf.....	144,000.00
These stations are manned day and night during the season of navigation.	
Submarine Bells in the Gulf.....	13,000.00
Total.....	<u>\$38,155,000.00</u>

It will, therefore, be seen from the above that in ten years over 38 million dollars have been spent to improve the St. Lawrence route, and a complete re-organization has taken place, under which :

- (1) Occulting and Flash Lights have taken the place of fixed ones; oil lamps and reflectors have been superseded by Acetylene and Powerful Lenses.

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(2) Obsolete fog signals abandoned, and their places taken by Diaphones, Syrens, etc. Can Buoys mostly lighted in place of the old spar buoys.

(3) A New Channel, deeper, wider, with easier curves, better lighted and buoyed has been created.

(4) Steamers of larger size with all modern improvements have taken the place of the smaller old-fashioned boats, some of which were steered by hand.

THE ST. LAWRENCE OF 1900

with its

Narrow 27½-ft. Channel,
Wooden Spar Buoys,
Obsolete Fog Signals,
Fixed Light and Oil Lamps,

has become

THE ST. LAWRENCE OF 1911

with its

Widened Channel Deepened,
Equipment of Occulting and Flash Lights,
Powerful Lenses,
Acetylene Gas Installations.

ON THE ST. LAWRENCE RIVER

Modern Fog Signals,
Gas and Can Buoys,
Lightships,
Submarine Bell Stations,
Telegraph Stations,
Telephone Stations,
Signal Stations,
Remodelled Pilotage System,

all brought up to a high state of efficiency, PROBABLY UNEQUALLED IN ANY OTHER COUNTRY, OUTSIDE OF GREAT BRITAIN.

The St. Lawrence of to-day therefore, in its narrowest parts, has a channel 450 feet wide and 30 deep, so that ships of 15,000 tons now safely navigate day or night where ten years ago ships of only 5,000 tons could go.

In addition to the foregoing, arrangements have been completed for a large floating dry dock to be established at MONTREAL by one of the best known English ship-building firms. This will enable steamers to be repaired with economy and despatch, and permit damaged cargoes to be handled at a minimum expense.

To bring this about profitably and efficiently, the Canadian Government has agreed to subsidize this work at the rate of 3½% on three million for 35 years.

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The whole of the above has been accomplished with a view of protecting the interests of shipowners and underwriters, in the hope that IMPROVED navigation conditions would bring about IMPROVED conditions in the rates of marine insurance both on steamers and freight.

Hulls, machinery and cargoes of steamers to and from Canadian ports have paid and pay now much higher premiums of insurance than from competitive ports in the United States, and although rates of insurance have been considerably reduced to all parts of the world in recent years there has not been a corresponding reduction in Canadian premiums.

Upon high-class cargo exported from England and farm produce exported from Canada, the additional insurance premiums amount to a very considerable sum. It is, however, more particularly felt upon grain shipments owing to the keen competition for this class of cargo from American ports.

Grain merchants in Chicago, Duluth, Winnipeg, Toronto or Montreal, before making cable offers of grain, enquire through brokers in New York, Baltimore, Boston or Montreal for the lowest ocean rates to English and Continental ports. They accept the lowest rate from the port which can make the best terms, including terminal charges and marine insurance. The rates of freight and

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insurance are invariably higher from Canadian ports, and unless lower rates from inland points can be obtained through Montreal, the cargo is diverted through American ports, a very small fraction being sufficient to divert Canadian grain to American ports. Every Canadian is interested in maintaining Canadian exports via Canadian ports, and with the immense increase in the production of Canadian grain in the near future, it is imperative that every effort shall be made to develop the trade in British steamers from Canadian ports.

Up to the year 1900 steamship owners were at liberty to trade with Canada on even terms with other countries, without having to consult their underwriters, or pay extra premiums.

About the year 1900, however, an alteration was made in the terms of time policies, which affected all British shipowners (except the regular liners trading with Canada) and which reads as follows :—

(1) WARRANTED NOT TO ENTER OR SAIL FROM ANY PORT OR PORTS, PLACE OR PLACES, IN BRITISH NORTH AMERICA, EXCEPT HALIFAX FOR PURPOSES OF COALING.

(2) ON PAYMENT OF AN ADDITIONAL PREMIUM OF . . . PER CENT. ABOVE WARRANTY TO

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BE CANCELLED—EXCEPT BRITISH NORTH AMERICA BETWEEN 1st SEPTEMBER AND 1st APRIL.

These two little innocent clauses inserted into marine policies to meet navigation conditions of ten years ago have been allowed to stand in face of new and improved conditions, carried out at a cost of 38 million dollars. They are manifestly unjust in their application to present day conditions and should be removed.

The effect of these warranty clauses has been to make it practically impossible for British shipowners to accept Canadian business, as the extra premium of say one guinea per cent. required is more than the rate of freight from Canadian ports will admit of, unless the steamer can make a number of consecutive voyages between 1st May and 31st October. This amounts to an extra charge on freight of about one shilling per ton on grain or equal to at least ten per cent. on ocean freight.

This has driven outside British tonnage from the Canadian trade, has thrown almost the whole coasting trade under foreign flags, and has permitted the handling of over one million tons per season of freight by other than British shipping.

It is going to do more—if persisted in—it is going to

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drive exports of wheat to points where there is adequate free tonnage to take it away.

Steamship owners are able to insure their steamers for less than $1\frac{1}{2}\%$ per annum to the East.

For as low as $2\frac{1}{2}\%$ per annum to the U. S., while it costs from 4 to 6 % per annum for regular lines to Canada.

These high rates on cargoes and hulls to Canada are maintained, and the restrictions on outside tonnage adhered to:—

In spite of the fact that marine insurance companies and underwriters through the improvements carried out and through the higher class risk resulting from the bigger and better ships now employed in the trade are admittedly making large profits.

In spite of the fact that the last few years have seen a marked reduction in the number of accidents in Canadian waters.

In spite of the fact that the aids to navigation provided by the Canadian Government have been carried out without the addition of a single cent to underwriters or shipowners.

In spite of the fact that the size of steamers navigating Canadian waters has almost doubled during the period under consideration.

It would seem therefore now opportune to take some

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steps to place the facts before shipowners, merchants and importers with a view of emphasizing:

1. That there no longer exists any reason why British shipowners should be debarred from the privilege of trading with Canada on the same terms as were in operation prior to the introduction of the B. N. A. clause in 1900.

2. That underwriters can now afford to practically acknowledge the vastly improved conditions of Canadian navigation routes by gradually reducing insurance rates on hulls and cargoes without detriment to their interests.

Reasonable insurance rates on St. Lawrence business mean more ships, more cargo, and more competitive power for the route, expressed in lower ocean rates and increased tonnage.

A long series of intermittent conferences, spread over the last few years, has taken place without visible results.

The facts contained herein were placed before members of Lloyds, The London Institute of Underwriters and the Liverpool Institute of Underwriters as well as some of the independent marine companies, at a meeting specially called, at the Royal Exchange, London, in March of the present year.

While the attitude of underwriters and insurance companies has always been most courteous, while appreciation of the works carried out by Canada's Marine

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Department is generously expressed, the situation remains unchanged.

The work already done should therefore be followed up by a systematic campaign of continuous effort, after which, should no results follow, it might well be that the best means to the end in view, would be the formation in Canada of a Canadian Lloyds — after the model of The Norwegian-Swedish Lloyds which has done so much for the commerce and shipping of those two countries.

This marine insurance question is becoming the paramount problem not only dominating the St. Lawrence shipping situation but that of our Inland lake navigation, and deserves immediate and earnest consideration.

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